

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-10
L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15 ICA-11
TRSE-00 OMB-01 EB-08 COME-00 /075 W
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R 021619Z JUN 78
FM AMEMBASSY REYKJAVIK
TO SECSTATE WASHDC 8456
INFO AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY STOCKHOLM
COMICEDEFOR KEFLAVIK IC
CINCLANT NORFOLK VA
CINCEUR VAIHINGEN GE

C O N F I D E N T I A L SECTION 1 OF 2 REYKJAVIK 0746

E.O. 11652: GDS
TAGS: PINT, IC
SUBJECT: MUNICIPAL ELECTIONS: SIGNIFICANCE

REF: A. REYKJAVIK 0721 (DTG 301616Z MAY 78); B. REYKJAVIK 0716
(DTG 301204Z MAY 78)

SUMMARY: MAY 28 MUNICIPAL ELECTIONS IN ICELAND WERE FIRST
ELECTORAL TEST FOR GOI SINCE TAKING OFFICE IN 1974, AND PARTIES
OF GOVERNING COALITION RECEIVED SEVERE SETBACK. RESULTS
SHOWED VOTERS MORE DISSATISFIED WITH GOI ECONOMIC POLICY
THAN HAD BEEN THOUGHT BY EITHER GOVERNMENT OR OPPOSITION.
MEMBERS OF BOTH INDEPENDENCE AND PROGRESSIVE PARTIES ALSO
SHOWED THEIR UNHAPPINESS WITH THEIR RESPECTIVE PARTY'S RE-
MAINING IN COALITION WITH THE OTHER. OPPOSITION PARTIES
GAINED SHARPLY WITH PEOPLE'S ALLIANCE EMERGING AS INDEPENDENCE
PARTY'S CHIEF RIVAL (REPLACING PROGRESSIVES) FOR NATIONAL POWER.
WITH ONLY THREE WEEKS REMAINING BEFORE ALTHING ELECTIONS.
INDEPENDENTS WILL HAVE TO PUT TRAUMATIC MUNICIPAL
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RESULTS BEHIND THEM AND MAY NDEAVOR TO STRESS FOREIGN
AND DEFENSE AFFAIRS, PARTY'S STRONG SUIT AGAINST LEFT.
WITH ELECTORATE SO OBVIOUSLY CONCERNED WITH DOMESTIC
ECONOMICS, HOWEVER, SUCH A SHIFT WILL BE DIFFICULT TO
ACHIEVE AND COULD BACKFIRE AS OBVIOUS ATTEMPT ON
PART OF GOVERNMENT TO OBSCURE ITS FAILURE TO FULFILL 1974
ANTI-INFLATION CAMPAGN PROMISES. END SUMMARY.

1. ALTHOUGH SHIFT IN VOTES FROM GOVERNMENT TO OPPOSITION PARTIES WAS EXPECTED, NONE OF FOUR PARTIES ANTICIPATED THAT MAGNITUDE OF CHANGE WOULD BE SO GREAT. ICELANDIC ELECTORATE DOES NOT NORMALLY SWITCH VOTES DRAMATICALLY AND IN DOING SO THIS TIME, IT EXPRESSED ITS GREAT DISSATISFACTION WITH NATIONAL AND NOT LOCAL

CONCERNS. POST-ELECTION CONSENSUS IS THAT SIZE OF SWITCH REFLECTED VOTER DISSATISFACTION WITH FAILURE OF PRESENT NATIONAL COALITION TO HOLD DOWN INFLATION WHICH IT HAD PLEDGED IN 1974 TO REDUCE (CURRENT RATE IS ABOUT 55 PERCENT, AMONG HIGHEST IN ICELANDIC HISTORY.)

2. MEMBERS OF BOTH INDEPENDENCE (IP) AND PROGRESSIVE (PP) PARTIES WHICH HAVE BEEN TRADITIONAL POLITICAL OPPONENTS, HAVE NOT BEEN HAPPY WITH THE COALITION BETWEEN THEM. GENERAL FEELING AMONG IP MEMBERS IS THAT PARTY HAS BEEN HAMSTRUNG BY PROGRESSIVES, WHO, IT IS ARGUED, HAVE HAD DISPROPORTIONATE INFLUENCE IN GOVERNMENT. ON OTHER SIDE, PROGRESSIVES, PARTICULARLY THOSE IN RURAL AREAS, BELIEVE THAT ISSUES MOST IMPORTANT TO THEM HAVE BEEN GIVEN SHORT SHIFT BY IP. WHILE BOTH PARTIES' LOSSES IN THIS MONTH'S ELECTION ARE NOT EXPECTED TO BE SEVERE ENOUGH TO PREVENT PRE-CONFIDENTIAL

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SENT COALITION FROM BEING RECONSTITUTED, IP AND PP VOTERS HAVE SHOWN THAT MANY OF THEM DO NOT WANT PARTNERSHIP TO CONTINUE.

3. RETURNS INDICATE THAT WHILE SOME IP SUPPORTERS TENDED TO SIT OUT MAY 28 ELECTION, PP VOTERS SHIFTED TO PEOPLE'S ALLIANCE (PA). MANY WHO HAD REGULARLY VOTED FOR IP IN PAST IN ORDER TO KEEP PARTY IN CONTROL OF MUNICIPALITIES WERE IN FACT SUPPORTERS OF SOCIAL DEMOCRATS (SDP); THIS TIME, SDP KEPT THIS SEGMENT OF ELECTORATE FOR ITSELF AND, IN ADDITION, MADE SOME GAINS AT IP EXPENSE. MAIN PROBLEM OF IP, HOWEVER, WAS THAT PARTY COULD NOT CONVINCE ENOUGH OF ITS OWN VOTERS TO GO TO POLLS. MANY IP MEMBERS ATTRIBUTE THIS TO OVERCONFIDENCE ON PART OF SOME AND DISSATISFACTION WITH PARTY LEADERSHIP AND POLICIES ON PART OF OTHERS. WHAT IS CLEAR IS THAT PM HALLGRIMSSON AND HIS OPPONENTS WITHIN PARTY WILL HAVE TO WORK HARD OVER NEXT THREE WEEKS TO PULL PARTY TOGETHER.

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4. PROGRESSIVES' LOSSES, AS OPPOSED TO THOSE
OF INDEPENDENTS, WERE ACUTUAL DESERTIONS. MOST OF THESE
WERE TO PA BUT SOME ALSO WENT TO UNAFFILIATED OR
MINOR LEFTIST LISTS. HAVING SERVED FOR LAST SEVEN
YEARS IN SUCCESSIVE GOVERNMENTS OF LEFT ANDRIGHT, PP
WAS SEEN AS HAVING PROSTITUTED ITSELF FOR SAKE OF
REMAINING IN POWER. ALTHOUGH THREE PP SCANDALS IN
LAST FOUR YEARS WERE NOT SPECIFIC ISSUE, THEY ADDED
TO IMAGE OF PARTY AS UNPRINCIPLED. PP WILL FACE
GREATER DIFFICULTY THAN IP IN TRYING TO REGAIN VOTES
AS IT GOIES INTO NATIONAL ELECTIONS WITH FEW ISSUES
AND A NARROWED BASE OF SUPPORT.

5. BOTH OPPOSITION PARTIES MADE IMPRESSIVE GAINS.
PA WON ONE QUARTER OF NATIONAL VOTE FOR FIRST TIME.
IF THIS RESULT WERE DUPLICATED IN THREE WEEKS' TIME,
IT WOULD CERTIFY PARTY'S CLAIM TO BEING MAIN OPPOSI-
TION TO INDEPENDENCE PARTY. HAVING SMELLED BLOOD,
PA IS EXPECTED TO STEP UP ITS ATTACK ON GOVERNMENT'S
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ECONOMIC "FAILURES".

6. EXPECTATIONS OF SDP RESURGENCE WERE FULFILLED AS RESULT OF MUNICIPAL VOTE IN WHICH IT SURPASSED NATIONWIDE MUNICIPAL VOTE TOTAL OF PROGRESSIVES. WHILE PARTY IS BOUYED BY APPARENT SUCCESS OF ITS PROGRAM WHICH PROMOTED NEW FACES AND PROPOSED SOLUTIONS TO NATION'S PROBLEMS, IT WOULD BE CONTENT TO HOLD ON TO THE 16 PERCENT SHARE OF VOTE IT RECEIVED IN MUNICIPALELECTIONS.

7. INDEPENDENTS HAVE SUFFERED DAYS OF POST MORTEMES ALREADY AND MORE ARE SURE TO COME. PRIMIN GEIR HALLGRIMSSON HAS ALREADY INTIMATED IN INTERVIEWS THAT ISSUES AS YET UNRAISED THIS YEAR - FOREIGN AND SECURITY MATTERS - WILL BE DISCUSSED AS CAMPAIGN GETS INTO GEAR. PM NOTED THAT WHEN THESE SUBJECTS WERE NOT DISCUSSED IN 1971, RESULT WAS LEFTIST GOVERNMENT WHILE 1974 CAMPAIGN WHICH DID PUT EMPHASIS ON NATO TIES BROUGHT IP BACK INTO OFFICE. WHILE THIS MAH BE SENSIBLE APPROACH FOR IP, ODAY'S CIRCUMSTANCES ARE UNLIKE THOSE OF 1974. IF FOREIGN AND SECURITY MATTERS ARE BROACHED FOR THEIR OWN SAKE (CONTRASTED WITH SITUATION FOUR EYARS AGO WHEN DEFENSE AGREEMENT WAS LIVELY SUBJECT OF DEBATE BEFORE ELECTION BEGAN), IT MAY BE SEEN AS ATTEMPT TO DRAW ATTENTION FROM ECONOMIC ISSUES WHICH ARE CURRENTLY ELECTORATE'S MAJOR PREOCCUPATION. IT MAY TAKE SOME EFFORT ON PART OF IP TO CONVINCE ELECTORATE TO OVERLOOK TS UNFULFILLED ECONOMIC PROMISES FOR SAKE OF SUPPORTING PARTY EMPHASIZING ITS NATO TIES. WISER TACTIC MIGHT BE FOR IP TO GO ON ATTACK AND SHOW THAT PA PROGRAM WOULD NOT LIVE UP TO CLAIMS OF REDUCING INFLATION. CONFIDENTIAL

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TION AND SOLVING OTHER ECONOMIC PROBLEMS, WHICH WILL POSE MOST DIFFICULT DILEMMAS FOR NEXT GOVERNMENT REGARDLESS OF ITS COMPOSITION.
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